

Policy Number	Section Name	Policy Name	Effective Date	Revised Date
CM-100008	Cash Management	Bank Reconciliation	3/13/2007	

## **I. Purpose/Scope**

This section presents guidelines for agencies in performing bank account reconciliations for state depository bank accounts. Procedures are not the same for streamlined banking agencies as for non-streamlined banking agencies. It is the responsibility of each Agency to reconcile its bank accounts monthly and to satisfactorily track all reconciling items to resolution in a timely manner. All methods (manual, semi-manual, automatic bank reconciliation) should clearly show the balances being reconciled and the details of all reconciling items.

## **II. Background**

UCC Article 4 requires companies to examine bank statements within a reasonable time frame, not to exceed 30 days after the statement has been received from the bank, and to report to the bank any unauthorized signatures or alterations.

## **III. Policy**

- A. The State Accounting Office shall reconcile the State Main Disbursement Account and the State Main Concentration Account. Streamlined Banking Agencies shall reconcile their main depository and local accounts.
- B. All Agencies shall reconcile their state bank accounts monthly by an employee not involved in recording cash receipts and disbursements.
- C. Each bank account shall be reconciled at least monthly upon receipt of the bank statement.
- D. Book reconciling items shall be investigated and adjusting book entries shall be recorded within the same month as monthly bank reconciliation sheets are received.
- E. Bank reconciling items shall be communicated to the bank, and bank errors shall be followed up and resolved with the bank within 60 days after the bank reconciliation is completed or by fiscal year end.

- F. Proposed adjusting accounting entries should be reviewed and approved by the Agency's fiscal officer. All cash related transactions shall be booked by the fiscal year end.
- G. All monthly reconciliations should be reviewed and signed by a fiscal officer who did not participate in the reconciling function.
- H. Documentation of the reconciliation must be retained for audit purposes.

## **IV. Procedure/Guidelines – Streamlined Agencies**

### **A. Streamlined Agency Daily Book to Bank Reconciliation – Depository Account**

1. The Prior Day BAI file is loaded into PeopleSoft. The Agency receives information on deposits and other adjustments.
2. The Agencies reconciles the main depository accounts as follows:
  - a) For manual reconciliation, this task includes identifying transactions in the manual reconciliation page, verifying accuracy, and requesting reconciliation
  - b) For Automatic and Semi-manual reconciliation, this task includes matching the PeopleSoft transaction to the bank statement (BAI file) and reconciling them.
3. After completing the daily reconciliation, Agencies shall run the Agency Depository Exceptions Report for their main depository bank accounts, investigate reconciling items, and record adjusting entries. Contact the Bank of America representative for bank corrections.

### **B. Streamlined Banking Agency Monthly Auto/Semi-Manual Bank Account Reconciliation – Depository Account**

1. The Agency runs automatic, semi-automatic, or manual book to bank reconciliations through PeopleSoft. Agencies will select the bank statement for the depository accounts.)
2. The Agency will review the statement for book to bank reconciliation on the Book to Bank Reconciliation page. This page is used to recalculate the statement or access the Book to Bank Detail Page.
3. The Agency will review the book to bank reconciliation details and make adjustments as necessary. Such adjustments might include: deposits in transit, unrecorded deposits, banking fees, etc. All adjustments between the banking activity and General ledger activity must be matched or the difference noted. This step is repeated until the bank statement and General Ledger are reconciled. This is completed on the Book to Bank Reconciliation Details page.
4. The Agency will confirm the statement as reconciled on the Book to Bank Reconciliation Details. (This step should be only performed when the bank statement and General Ledger are reconciled.)

5. The Agency will generate reports on the Book to Bank Reconciliation page. Once the book to bank statement reconciliation is completed, the Agency will complete the General Ledger close process for the specified period.

### **C. State Accounting Office - Daily Book to Bank Reconciliation**

1. Payments are generated from the Financial System and from the HCM System. The prior day BAI file is received and loaded into the two systems for payments cleared. This includes all check and electronic disbursements.
2. The State Accounting Office, using Control M, schedules the Auto Reconciliation Process to run daily. For the Financial System, this process is FSPECON. For the HCM System, this process is FSPYM010PAY015AX & PAY015BX.
3. In this step, an Exception Report is generated by business unit in both the HCM and Financial systems. This report is used to identify any exceptions from the auto- reconciliation process.
4. The State Accounting Office will work with the Agency on exceptions in PeopleSoft Financials or HCM. Exceptions will be cleared using manual or semi-manual reconciliation procedures. In PeopleSoft Financials, the payment inquiry page may be used to view payment information.

## **V. General PeopleSoft Automatic/Manual Bank Reconciliation Procedures for Non-streamlined Banking agencies**

### **A. Monthly Book to Bank Reconciliation**

1. The Agency shall identify the specific bank statement and cash account from the general ledger. Reports needed include: Cash Receipts Monthly Report (ARxxxx0408), and Cash Disbursements Monthly Report (AP0004). Agencies may use other reports and queries for verification, identification, and substantiation of reconciliation.
2. Open the prior month bank reconciliation file and compare prior month "Deposit in Transit" items with the first few deposits on the bank statement. All deposits in transit should match the items on the bank statement. If not, agencies will have to research discrepancies.
3. Compare other deposits on ARxxxx0408 with deposits/credits on bank statements and mark all the reconciled transactions on both ARxxxx0408 and the bank statement. You may identify book errors on the Agency's cash receipt report. Errors could have resulted if the Agency entered an incorrect amount, entered a transaction that does not belong in the account, or omitted a transaction that should be in the account. Since the Agency made these errors, the correction of the error will be either an increase or a decrease to the balance in the Cash account on the Agency's books.

Likewise, the bank is also subject to errors. Bank errors could include recording an incorrect amount, entering a transaction that does not belong to the Agency's bank statement, or omitting a transaction from the Agency's bank statement. The Agency should notify the bank of its errors. Depending on the error, the correction could increase or a decrease the balance shown on the bank statement.

4. On the Automatic Reconciliation page, enter the bank ID, account number, the period and click the Search button to the load bank file.
5. Click the Select box and Run Reconciliation to auto reconcile system checks, manual checks, and express checks to book.
6. Click the “Exceptions” link and investigate all unreconciled items. Exceptions may result from bank coding errors, Agency booking errors, manual checks clearing the bank but not booked, or stop payments that cleared the bank. After research, the Agency can reconcile exceptions and errors.
7. On the PeopleSoft Manual Reconciliation page, enter the bank information and the period you are reconciling. Select “un-reconciled” from the “Status” dropdown box, and click on the “Search” button. Cash receipts and EFT/ACH disbursements have to be reconciled manually.
8. Run the Account Register Report before manual reconciliation. Use ARxxxx0408 and the bank statement plus the manual reconciliation for receipts, deposits, and credits noted in step 3. Select checkboxes for reconciled receipts.
9. Convert the Account Register Report to EXCEL. Manually reconcile all electronic funds transfers (EFT) and wire payments on the report against those transactions on the bank statement. Select checkboxes for reconciled EFT and wires.
10. You can derive the outstanding check total from the un-reconciled Account Register.
11. Steps to adjust and reconcile the ledger balance to the bank balance:
  - a) Copy the month end cash balance figure from the GL44M report and the bank’s monthly ending balance to corresponding cells on the bank reconciliation sheet.
  - b) Add un-booked deposits as additions to the ledger balance.
  - c) Adjust other book or bank errors to the bank reconciliation sheet depending on their affect on the book or bank records.
  - d) Copy the “Deposit in Transit” total amount from ARxxx0408 as a positive adjustment to the bank balance.
  - e) Subtract the outstanding check total from the bank balance.
  - f) The adjusted book balance should equal the adjusted bank balance.

12. Completed bank reconciliation sheets and supporting documents should be reviewed, signed by the fiscal manager and filed for audit purposes.
13. The fiscal officer shall review the bank reconciliation report monthly, and coordinate efforts to resolve any reconciling items in a timely manner.

## **B. Payroll Reconciliation Process:**

Agencies not on Streamlined Banking should continue to follow their current reconciliation process.

## **VI. Definitions**

**Account Register Report** (Crystal Report FIN4004 or PS Query FIN3004) - Lists all PeopleSoft (PS) payment activity processed for a specific bank account. This report includes reconciled and unrecognized transactions by a specific date range.

**Automatic Reconciliation** – An automatic process for reconciling accounting records such as deposits, checks and electronic transactions against those presented from a bank statement.

**AutoRecon Errors (FIN3002)** – Lists all reference numbers sent by the bank that does not match any PeopleSoft reference numbers.

**AutoRecon Exceptions (FIN3001)** – Lists all reference numbers sent by the bank that matches a PeopleSoft reference number, but either the dollar amount, transaction type (i.e., payment, deposit, stop payment, etc), payee, or date does not match.

**BAI file**- Bank file which includes balance, activity summary and individual transaction information for bank accounts.

**Bank Reconciliation** - The process of matching & comparing the accounting details and balances as per the accounting records against the balances presented on the bank statement, and adjusting either the book or bank balances for differences.

**Bank Statement**- The document sent by the financial institution that shows the transactions that have posted to specific accounts during a given period.

**Bank Statement Register** - Bank Statement, which lists bank transactions loaded into PeopleSoft. (Crystal Report FIN4000 or Query FIN3000).

**Deposits in Transit** - Deposits received and recorded by the Agency, but are not yet recorded by the bank

**Disbursement Account**- Bank account used exclusively to disburse funds by any method.

**Main Depository Account** – Depository bank accounts at Bank of America used by each Streamlined Banking agencies as an operating cash account with the general ledger cash account number (102400-Cash in Bank-Depository Account).

**Outstanding Checks** - Checks that have been written and recorded in the Agency's cash account, but have not yet cleared the bank account.

**State Bank Account**- Bank accounts that are owned, held, or administered by a state Agency, regardless of the source of the funds. This includes all types of depository, checking, or savings accounts maintained in any type of financial institution

**See Also:**

- [CM- Cash Receipt](#)
- [CM- NSF Policy](#)
- [CM- Bank Settlement \(Wires\)](#)

**VII. Approval**

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**VII. Revision History**

<b>Version</b>	<b>Date</b>
1	3/13/2007